south central electric association
SCE
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October 30, 2012

Concerning: DOC/DER Distributed Generation & Net Metering

To: Minnesota Department of Commerce, Division of Energy Resources
Attn: Lise Trudeau
85 7th Place East, Suite 500
St. Paul, MN 55101

We would like to thank Deputy Commissioner Bill Grant and the Division of Energy Resources for continuing to hold workshops concerning distributed generation in Minnesota. Since, the beginning of this process a year ago, we appreciate the Department's willingness to listen to all stakeholders. After attending the recent meeting on October 11, 2012, we are pleased Deputy Commissioner Grant again asked for comments concerning distributed generation in Minnesota. As a small rural electric cooperative, South Central Electric Association feels the results of these workshops are very important to our members. This includes members that wish to install some form of distributed generation and those that cannot afford to or choose not to. Please find below South Central Electric Association's comments on topics of the most recent DG meeting and past workshops.

We agree that Minnesota Rule 7835 (Statute 216B.164) covering cogeneration and small power production does need to be improved. It appears that Subdivision 1, "Scope and Purpose", of the statute "maximum possible encouragement" has been consistently raised higher than the very end of the sentence which states "consistent with protection of the ratepayers and the public". As a not for profit member owned electric cooperative, we feel that we are a stakeholder looking to protect the ratepayer. New rules for distributed generation need to take seriously the affect on ratepayers.

A comment was made at the October 11, 2012 meeting, that cooperatives can spread costs among all of Great River Energy's members. This implies that costs associated with increased DG will be minimal. This is only partly true. Under Minnesota Statute 216B.164 Subdivision 3 (d) reimbursement of costs for purchase of net input can be paid by its supplier, but only if the nongenerating utility has a "sole" source contract. South Central Electric Association and seven other distribution cooperatives in Minnesota receive power from more than one supplier. The members of these cooperatives will see a greater impact on rates from increased distributed generation. At South Central Electric Association that means spreading the costs among only 3900 members, affecting rate payers at much lower levels of distributed generation.

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South Central Electric Association neither encourages nor discourages distributed generation with our members. While distributed generation may apply to all sizes of cogeneration, net metering rules should apply to small facilities where the intent is to offset their electric usage. The decision to cogenerate is an individual member's choice. We cooperate with any member that wishes to cogenerate. One member's choice to cogenerate should not be subsidized by other members. State laws governing net metering should allow for the protection of the rate payer as well as allow consumers to cogenerate. It is with the protection of the rate payers in mind, we make the following recommendations for net metering in Minnesota.

kWh credit: A change to kWh credits for excess generation would be a better solution to the current net metering payments at retail rate. These credits should expire after one year.

Capacity Limits: We believe that to qualify for net metering the generator capacity should be sized to load. We believe the load should be matched at 100% or lower. Sizing the facility to load should take into account seasonal loads. Seasonal loads, such as grain drying, should not be used to determine capacity for net metering. If capacity is allowed to be determined on a seasonal load, the net metered facility would over produce most of the year. It would be beneficial to have a cap for a net metering facility, which would maintain the integrity of net metering to apply to small users. Large limits could run into issues with the distribution system. Large limits, like 2MW and 500kw, could require expensive studies to be completed on the distribution feeds and may even involve MISO. In fact, due to capacity limits on the distribution system, large generator capacity limits could mean fewer renewable facilities. One large facility could take up all the feeder or substation capacity, meaning instead of having 10 small residential consumers with net metering you have only one big net metering facility.

Example: A small manufacturer on our system if allowed to generate at 125% of maximum capacity could generate 431kw. The extra 25% allowed capacity would mean 5 to 8 residential members on the same line may not be allowed to cogenerate as the one member used the available line capacity.

Buy all, Sell all. This new way of looking at net metering may have some merit. Our concern is with the rate at which the utility would purchase the qualified facilities generation. A rate that exceeds the retail rate would mean that one set of consumers will be subsidizing another set of consumers. This is a problem we see with the current net metering compensation at the average retail rate. It also creates an incentive of power generation for profit and not to offset usage. <u>There should be no profit motive for qualifying facilities under net metering.</u>

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South Central Electric Association would again like to thank Deputy Commissioner Bill Grant and the Division of Energy Resources for the opportunity to comment on net metering. As a small rural electric cooperative we are concerned about the costs that these facilities could impose on our members. We are neutral concerning net metering or distributed generation, as we believe this is an individual member's investment choice. Customer-generators should pay their fair share of the costs to maintain the utility system they use. Net metering rules need to be in place that imposes the least impact on other members (consumers).

Sincerely,

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